

**CALENDAR ITEM
C51**

A 34, 80

04/26/05

WP 6783.1

WP 7527.2

S 18, 37

J. Smith

**CERTIFICATION OF A FINAL ENVIRONMENTAL IMPACT REPORT;
AMENDMENT OF AN EXISTING GENERAL LEASE RIGHT OF WAY USE,
ACCEPTANCE OF A QUITCLAIM OF AN EXISTING OIL PIPELINE RIGHT OF WAY
AND ISSUANCE OF A NEW GENERAL LEASE – RIGHT OF WAY USE**

LESSEE/APPLICANT:

El Paso Natural Gas Company
P.O. Box 1087
Colorado Springs, Colorado 80944

SOVEREIGN LANDS CROSSING

EXISTING LEASE TERMS PRC 6783.1

AREA, LAND TYPE, AND LOCATION:

0.50 acres, more or less, of sovereign lands in the historic natural bed of the Colorado River, near the city of Blythe, Riverside County.

AUTHORIZED USE:

The construction, use and maintenance of an existing 30-inch diameter crude oil pipeline.

TERMS OF ORIGINAL LEASE:

Lease Term: 30 years, beginning October 1, 1985.

Consideration: \$275.00 per year, with the state reserving the right at any time to fix a different rent periodically during the lease term, as provided in the lease.

Surety Bond: \$2,000

Liability Insurance: Combined single limit coverage of \$1,000,000

PROPOSED LEASE AMENDMENT:

Authorized Use: Conversion, use and maintenance of an existing 30-inch diameter pipeline from crude oil to natural gas.

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Insurance: Lessee shall maintain limits of no less than:

General Liability -	Each Occurrence	\$1,000,000
	General Aggregate	\$2,000,000
Pollution and Spill -	Each Occurrence	\$1,000,000
	General Aggregate	\$2,000,000
	Personal Liability	\$1,000,000
Excess Liability -	Each Occurrence	\$10,000,000
	General Aggregate	\$10,000,000

Worker's Compensation – Statutory requirements of the State of California

Bonds:

1. Lease Performance Bond: \$50,000
2. Mitigation Monitoring Performance Bond: \$250,000
3. Restoration Performance Bond: \$100,000

All other terms and conditions of the Lease shall remain in effect without amendment.

SCHOOL LANDS CROSSING

BACKGROUND

When the existing pipeline was originally constructed by the All American Pipeline Company within Sections 26 and 27 in San Bernardino County, the land was owned by the United States government. The Bureau of Land Management (BLM) granted an oil pipeline right-of-way to Celeron Pipeline Company and All American Pipeline Company. On February 6, 1989, the Commission authorized a land exchange with the BLM, which included acquisition of the parcels in Sections 26 and 27. The State took title to the land subject to the existing right-of-way grant.

The right-of-way provides for the construction and maintenance of a crude oil pipeline. Because the Lessee now proposes to convert the pipeline to natural gas, Commission staff believes the right-of-way grant does not allow use of the pipeline for natural gas and staff is, therefore, recommending that the Commission authorize acceptance of a quitclaim of the oil pipeline right-of-way and authorize issuance of a new General Lease – Right of Way Use for the conversion project.

AREA, LAND TYPE, AND LOCATION

Seven acres, more or less, of school land located in Section 26 and Section 27, T9N R2E, SBM, San Bernardino County.

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PROPOSED AUTHORIZED USE:

Conversion, use and maintenance of an existing 30-inch diameter crude oil pipeline to natural gas.

TERM:

30 years, beginning May 1, 2005.

CONSIDERATION:

\$3,685 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance: Lessee shall maintain limits of no less than:

General Liability -	Each Occurrence	\$1,000,000
	General Aggregate	\$2,000,000
Pollution and Spill -	Each Occurrence	\$1,000,000
	General Aggregate	\$2,000,000
Excess Liability -	Personal Liability	\$1,000,000
	Each Occurrence	\$10,000,000
	General Aggregate	\$10,000,000
Worker's Compensation – Statutory requirements of the State of California		

Bonds:

1. Lease Performance Bond: \$50,000
2. Mitigation Monitoring Performance Bond: \$250,000
3. Restoration Performance Bond: \$100,000

OTHER PERTINENT INFORMATION:

1. Lessee has a right to use the lands adjoining the lease premises.
2. El Paso Natural Gas Company (El Paso) filed an application with the California State Lands Commission seeking authorization to convert approximately 304-miles of an existing crude oil pipeline (the former All American Pipeline) to natural gas service. Known as the El Paso Line No. 1903 Conversion Project, this pipeline would connect Line No. 1903 with El Paso's existing Line No. 2000, an approximately 784-mile pipeline, which extends from Ehrenberg, Arizona to McCamey, Texas. Line No. 1903 crosses sovereign lands (0.50 acre) in the historic natural bed of the Colorado River near the city of Blythe in Riverside County, and two school

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land parcels encompassing approximately seven acres in San Bernardino County.

El Paso proposed to connect Line No. 1903 with the Southern California Gas Company's system at Wheeler Ridge, the existing El Paso-owned Mojave Pipeline at Amboy, the Mojave/Kern Common Facilities at Daggett, and El Paso's system at Ehrenberg. The conversion would involve testing the existing 30-inch diameter pipeline, installing new valves, inspection and rewrapping of ineffective pipe wrap, and replacing five miles of the existing 304-mile pipeline. In addition, a 6.4-mile 30" diameter expansion of the pipeline system at the Cadiz Pump Station was also proposed to provide an alternate location for Line No. 1903 to connect with the Mojave Pipeline.

El Paso intends to operate Line No. 1903 as a bi-directional gas transmission pipeline without additional compression. This will enable El Paso to provide additional gas volumes westward to California markets, and provide gas eastward from Daggett to the California/Arizona border in order to serve customers in California, Arizona and Mexico.

The proposed Line No. 1903 Conversion Project, once integrated with its existing system would provide:

- a. enhanced operational flexibility for shippers using the El Paso system.
- b. El Paso with additional interconnect capacity between its northern and southern systems.
- c. access for El Paso customers to Rocky Mountain gas supplies from the Kern River Gas Transmission Company

El Paso's north system originates in the San Juan basin in northwest New Mexico and extends across northern Arizona to Topock where it interconnects with El Paso's Mojave Pipeline operating system. El Paso's south system originates in the Permian basin in west Texas and extends across southern New Mexico and southern Arizona to Ehrenberg, Arizona, located on the Colorado River. El Paso currently has two cross-over lines in western Arizona that connect its north and south systems. In addition, El Paso currently has connections with the North Baja Pipeline at Ehrenberg via Line No. 2000, and the Kern River Pipeline via the Mojave

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Pipeline. Line No. 1903 would become a new cross-over line located at the western end of El Paso's system.

3. The staffs of the federal Bureau of Land Management (BLM) and the Commission, federal and state Lead Agencies, respectively, have completed work on a joint Final Environmental Impact Report/Environmental Assessment (FEIR/EA). The FEIR/EA was prepared as required by the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA).
4. Public scoping meetings were held in Barstow, Bakersfield and Blythe for both the Notice of Preparation (2002) and the Draft EIR (2004). During the NOP process, comments were focused on the public safety concerns to residents of the community of Stallion Springs in Kern County. Some of the residences in that community were built after the construction of the original All American Pipeline.

The Applicant was asked to consider route alternatives around the Stallion Springs community. Two route alternatives were proposed, and while the alternatives would avoid the Stallion Springs community, both alternatives would have additional environmental impacts and were eliminated from further consideration. Two route alternatives were also proposed for two dry lake beds (Bristol Lake and Troy Lake) in San Bernardino County. Both of these alternatives posed potential environmental impacts and were also eliminated from further consideration.

5. **EHRENBURG TO CADIZ ALTERNATIVE**

In order to avoid potentially significant impacts on public safety associated with the conversion of the entire pipeline, specifically in the community of Stallion Springs, and after further refining its market demand for the services offered by the Line No. 1903 Conversion Project, El Paso developed an alternative project, in which only the segment east of the Cadiz Pump Station would be converted. This would involve converting approximately 88 miles of the 304-mile pipeline as well as constructing a 6.4-mile new 30" diameter pipeline segment between the Cadiz Pump Station and the Mojave Pipeline.

The unconverted 216-mile pipeline segment west of Cadiz would remain idle. El Paso would continue to maintain the internal and external integrity of the unconverted pipeline with a nitrogen blanket and cathodic

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protection. Outside of routine maintenance activities, no other construction activities would be conducted and no gas delivery would be made using the existing oil pipeline west of Cadiz.

El Paso presently plans to acquire hydrostatic test water from the Palo Verde Irrigation District canal. A portion of the test water would be discharged into one of the existing 150,000 BBL storage tanks located on the Cadiz pump station property for use in hydrostatic testing the new 6.4-mile long Cadiz segment. After the hydrostatic test is completed, the water will be placed back in the tank for later disposal. Once the hydrostatic testing of the 88-mile converted section is completed, the remaining water will be discharged back into the Palo Verde Irrigation District canal. The discharged water will be filtered and tested for contaminants prior to discharging back into the canal.

El Paso has stated that the Ehrenberg to Cadiz Alternative would substantially meet the project purpose, needs and objectives, and is, in fact, the alternative, which El Paso submitted to the Federal Energy Regulatory Commission for that agency's approval. This alternative would provide El Paso with an additional connection of its north and south systems, and it would provide enhanced operational flexibility for shippers using the El Paso System. This alternative would not, however, provide additional flexibility for delivery west of Cadiz to or from southern California markets, and would not allow connection to the SoCalGas system at Wheeler Ridge, or to the Kern River Pipeline at Daggett. This alternative would provide an indirect connection to the Kern River Pipeline via the interconnect with the Mojave Pipeline at Daggett. Natural gas sent to or from southern California would require the use of existing infrastructure at Amboy and Daggett, including the Mojave Pipeline System. This alternative would also allow El Paso to receive gas at Ehrenberg, Arizona, from proposed LNG projects in Mexico and deliver the gas to customers in Arizona, New Mexico, Texas, and California.

6. The transportation of natural gas by pipeline involves some risk to the public in the event of an accident and the subsequent release of gas. The Lessee is required to design, construct, convert, test, operate, and maintain the facilities in accordance with Department of Transportation (DOT) regulations in 49 CFR Part 192, "Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards", and other applicable federal and state regulations.

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7. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15025), the staff has prepared an EIR/EA identified as CSLC EIR No. 719, State Clearinghouse No. 2002101069. Such EIR/EA was prepared and circulated for public review pursuant to the provisions of CEQA. A Mitigation Monitoring Program has been prepared in conformance with the provisions of the CEQA (Public Resources Code section 21081.6). The EIR/EA identified the Ehrenberg to Cadiz Alternative as the "Environmentally Superior Alternative".
8. The U.S. Fish and Wildlife Service (USFWS) is preparing a Final Biological Opinion (BO) for this project and anticipates that it will be available in May 2005. Staff has consulted with the USFWS and reviewed the draft BO and found the Terms and Conditions therein to be consistent with the mitigation measures contained within the Mitigation Monitoring Program in the FEIR/EA. The USFWS has indicated that it does not anticipate that any substantive changes will be made to the Terms and Conditions of the Final BO as compared to the draft. In addition, the Commission's lease requires the Lessee to be in full compliance with all applicable rules and regulations as well as with the provisions of all necessary permits.
9. Findings made in conformance with the State CEQA Guidelines (Title 14, California Code of Regulations, section 15091) are contained in Exhibit D attached hereto.
10. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. However, the Commission has declared that all state school lands and submerged lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code sections 6370, et seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

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APPROVALS REQUIRED:

Federal Energy Regulatory Commission; Federal Bureau of Land Management; U.S. Fish and Wildlife Service; U.S. Environmental Protection Agency; U.S. Army Corps of Engineers; Central Valley Regional Water Quality Control Board; Lahontan Regional Water Quality Control Board; Colorado River Basin Regional Water Quality Control Board; Department of Fish and Game; California Department of Transportation; and the Public Utilities Commission.

EXHIBITS:

- A. Location Map
- B. Line No. 1903 Route Map
- C. Land Description for School Lands Crossing
- D. CEQA Findings
- E. Mitigation Monitoring Program

PERMIT STREAMLINING ACT DEADLINE:

June 2, 2005

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

CERTIFY THAT AN EIR, NO. 719, STATE CLEARINGHOUSE NO. 2002101069, WAS PREPARED FOR THIS PROJECT PURSUANT TO THE PROVISIONS OF THE CEQA, THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN AND THAT THE EIR REFLECTS THE COMMISSION'S INDEPENDENT JUDGMENT AND ANALYSIS.

ADOPT THE FINDINGS, MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15091, AS CONTAINED IN EXHIBIT D, ATTACHED HERETO.

ADOPT THE MITIGATION MONITORING PROGRAM, AS CONTAINED IN EXHIBIT E, ATTACHED HERETO.

DETERMINE THAT THE PROJECT, AS APPROVED, WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.

CALENDAR ITEM NO. **C51** (CONT'D)

AUTHORIZATION:

1. AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 6783.1, A GENERAL LEASE - RIGHT OF WAY USE, OF LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE MAY 1, 2005, TO CONVERT THE EXISTING 30-INCH DIAMETER PETROLEUM PIPELINE TO NATURAL GAS; ANNUAL RENT FOR PRC 6783.1 IN THE AMOUNT OF \$275.76, WITH THE STATE RESERVING THE RIGHT AT ANY TIME TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; GENERAL LIABILITY INSURANCE COVERAGE OF NO LESS THAN \$1,000,000 PER OCCURRENCE WITH A GENERAL AGGREGATE OF NO LESS THAN \$2,000,000; SPILL AND POLLUTION INSURANCE OF NO LESS THAN \$1,000,000 PER OCCURRENCE WITH A GENERAL AGGREGATE OF NO LESS THAN \$2,000,000; PERSONAL LIABILITY INSURANCE OF NO LESS THAN \$1,000,000; EXCESS GENERAL LIABILITY INSURANCE OF NO LESS THAN \$10,000,000 PER OCCURRENCE WITH A GENERAL AGGREGATE OF NO LESS THAN \$10,000,000; WORKER'S COMPENSATION INSURANCE PURSUANT TO THE STATUTORY REQUIREMENTS OF THE STATE OF CALIFORNIA; SURETY BOND IN THE AMOUNT OF \$50,000; MITIGATION MONITORING BOND IN THE AMOUNT OF \$250,000; AND RESTORATION PERFORMANCE BOND IN THE AMOUNT OF \$100,000; ALL OTHER TERMS AND CONDITIONS WILL REMAIN IN EFFECT WITHOUT AMENDMENT.
2. AS TO THE SCHOOL LANDS CROSSING, ACCEPT A QUITCLAIM OF THE EXISTING OIL PIPELINE RIGHT-OF-WAY FROM EL PASO NATURAL GAS COMPANY.
3. AUTHORIZE ISSUANCE OF A GENERAL LEASE - RIGHT OF WAY USE (PRC 7527.2) TO THE EL PASO NATURAL GAS COMPANY , BEGINNING MAY 1, 2005, FOR A TERM OF 30 YEARS, TO CONVERT, USE AND MAINTAIN AN EXISTING 30-INCH DIAMETER CRUDE OIL PIPELINE TO NATURAL GAS; ON THE LAND SHOWN ON EXHIBIT B, ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; ANNUAL RENT IN THE AMOUNT OF \$3,685, WITH THE STATE RESERVING THE

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RIGHT AT ANY TIME TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; GENERAL LIABILITY INSURANCE COVERAGE OF NO LESS THAN \$1,000,000 PER OCCURRENCE WITH A GENERAL AGGREGATE OF NO LESS THAN \$2,000,000; SPILL AND POLLUTION INSURANCE OF NO LESS THAN \$1,000,000 PER OCCURRENCE WITH A GENERAL AGGREGATE OF NO LESS THAN \$2,000,000; PERSONAL LIABILITY INSURANCE OF NO LESS THAN \$1,000,000; EXCESS GENERAL LIABILITY INSURANCE OF NO LESS THAN \$10,000,000 PER OCCURRENCE WITH A GENERAL AGGREGATE OF NO LESS THAN \$10,000,000; WORKER'S COMPENSATION INSURANCE PURSUANT TO THE STATUTORY REQUIREMENTS OF THE STATE OF CALIFORNIA; SURETY BOND IN THE AMOUNT OF \$50,000; MITIGATION MONITORING BOND IN THE AMOUNT OF \$250,000; AND RESTORATION PERFORMANCE BOND IN THE AMOUNT OF \$100,000.